



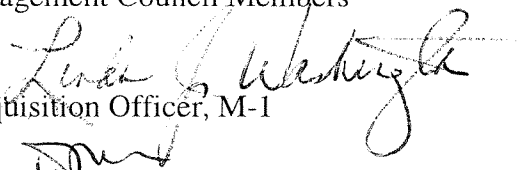
**U.S. Department of
Transportation**


Office of the Secretary
of Transportation

400 Seventh St., S.W.
Washington, D.C. 20590

JUL 26 2004

MEMORANDUM TO: Heads of Operating Administrations
Operating Administrations Chief Information
Officers
Procurement Management Council Members

FROM: Vincent T. Taylor 
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SUBJECT: Earned Value Management (EVM) Requirements

Purpose

The purpose of this memorandum is to highlight the requirement for all Operating Administrations (OA's) to implement Earned Value Management (EVM) on major information technology (IT) projects. EVM is not a specific system or tool set, but rather, a set of guidelines that guide a management control system. Put in practice, EVM is a management tool used by both contractor and government program managers to have visibility into technical, cost and schedule progress on their contracts. EVM has proven to be an accepted management practice for well over 25 years.

Dedicated use of the EVM approach in managing DOT's major IT projects will ensure that a common, effective set of measurement standards are in place for assessing project performance, status and progress.

Background

OMB Circular A-11 requires that Major IT projects categorized as either in Development/Modernization/Enhancement (DME) or Mixed Life Cycle will use an EVM approach that conforms to American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard 748, "Earned Value Management Systems." Projects will, though application of EVM, show how close the project is to meeting the approved cost, schedule and performance goals.

Due to variations in organizations, products, and working relationships, it is not feasible to prescribe a universal system for cost and schedule control, relative to the scope of a contract. Earned Value Criteria (<http://www.acq.osd.mil/pm/faqs/criteria.htm>) will help

in determining whether contractors' earned value management systems are acceptable for large, risky projects.

Specific Requirements

1. All OA's are responsible for implementing an ANSI/EIS Standard 748 compliant process for Major IT projects in DME or mixed life cycle by September 30, 2004, or have a definitive plan for when it will be fully implemented.
2. All OA's will ensure that their program managers for each major IT project will work with the contracting officer to ensure that any contracts associated with major IT projects include the requirement for a compliant EVM system.
3. Operating Administrations will report quarterly to the Departmental CIO on planned versus actual cost and schedule information through updates to the OMB Exhibit 300 "Project Summary" table and summary updates on the OMB EVM Reporting template previously provided to your CIO staff. The OMB Exhibit 300's will be updated no later than the fifth working day following the end of each quarter, or as otherwise requested by the CIO.

Assistance in implementing this requirement will be provided by the Departmental CIO. A list of software tools commonly used to support EVM practices may be found at <http://www.pmi-cpm.org>. Training on EVM is available from a variety of external sources, including the Project Management Institutes' College of Performance Management.

Summary

DOT's ability to effectively manage its IT projects, wisely use its resources, and support its annual budget requests with required project information, will greatly enhance its ability to acquire needed funding and meet its goals and objectives. If you have any questions concerning the subject of EVM and related requirements, please have your staff contact Darren Ash, Deputy Associate CIO for IT Programs, at x68973.